

February 11, 2026 – Supplemental Correspondence

**BAY AREA WATER SUPPLY AND CONSERVATION AGENCY
BOARD POLICY COMMITTEE MEETING**

February 11, 2026

Correspondence received between February 9, 2026 and February 10, 2026

From: Assemblymember Diane Papan, District 21
Assemblymember Catherine Stefani, District 19
Assemblymember Matt Haney, District 17
To: Dennis Herrera, SFPUC, General Manager
cc: Tom Smegal, BAWSCA, CEO/General Manager
Date: February 10, 2026
Subject: Request for a Formal Comparative Evaluation of the San Francisco Public Utilities Commission (SFPUC) 2025 Millbrae Operations Center Proposal (“2025 Proposal”) against Alternatives

From: Peter Drekmeier, Yosemite Rivers Alliance, Policy Director
To: President Arce and Members of the SFPUC Commission
cc: BAWSCA Board of Directors
Date: February 9, 2026
Subject: SFPUC 2-Year Budget and 10-Year Capital Plan

From: Dave Warner
To: SFPUC Commissioners
cc: BAWSCA Board of Directors
Date: February 9, 2026
Subject: BAWSCA’s Large Rate Increases Linked to a Trend of Declining Demand Projections

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February 10, 2026

Dennis J. Herrera
General Manager
San Francisco Public Utilities Commission
525 Golden Gate Avenue
San Francisco, CA 94102

RE: Request for a Formal Comparative Evaluation of the San Francisco Public Utilities Commission (SFPUC) 2025 Millbrae Operations Center Proposal (“2025 Proposal”) against Alternatives

Dear Mr. Herrera:

We write to request a comparative evaluation of the SFPUC Millbrae Operations Center Improvements Project (‘2025 Proposal’) against alternatives that would preserve existing community uses.

Millbrae Operations Center Improvements Project

SFPUC has proposed site improvements at their Millbrae Operations Center to consolidate Water Enterprise staff and equipment currently located at the Rollins Road Facility. The stated goals of the project include creating a long-term campus, improving staff efficiency through consolidation, addressing space shortages, upgrading building systems and enhancing employee health, safety, and security.

Alternative Analysis

There is no evidence that the 2025 proposal has been meaningfully evaluated against SFPUC’s 1/9/2020 design proposals, which did not include the closure of Outdoor Supply Hardware (OSH). Moreover, there has been no transparent analysis that the 2025 Proposal serves the best interests of SFPUC ratepayers or the City of Millbrae.

A Responsible Path Forward

Because a thorough evaluation of alternatives and comparison of proposals has not been conducted, it is premature to advance the 2025 Proposal. Per SFPUC Commissioner Arce’s remarks to SFPUC Assistant General Manager Steven Ritchie at the January 29, 2026 SFPUC Board Meeting, “...by the time we do have to make a decision we’re either at consensus or as close as we can be but at least we’ll know that we did everything to address potential breadth magnitude, identity, character, and that we can say that we did everything we could to get there.” The absence of sufficient information has resulted in

significant unresolved questions and a lack of consensus. **We therefore request that SFPUC pause further action on the 2025 Proposal and in coordination with the City of Millbrae, undertake a meaningful evaluation of the project design that allows the agency to meet its operational objectives while preserving OSH.** Absent a pause, any decision would be made without the analytical foundation necessary to demonstrate due diligence or good-faith consideration of community impacts.

We appreciate your attention to these concerns and expect engagement that reflects the Commission's commitment to transparency, fiscal responsibility, and respect for the communities affected by SFPUC's actions. We look forward to identifying a path forward.

Sincerely,



Assemblymember Diane Papan
Assembly District 21



Assemblymember Catherine Stefani
Assembly District 19



Assemblymember Matt Haney
Assembly District 17

CC:

Honorable Daniel Lurie, San Francisco Mayor

Tom Smegal, General Manager, Bay Area Water Supply and Conservation Agency

Tom Chambers, Chair, Bay Area Water Supply and Conservation Agency Board of Directors

Joshua Arce, President, San Francisco Public Utilities Commission

Tom Williams, City Manager, City of Millbrae



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February 9, 2026

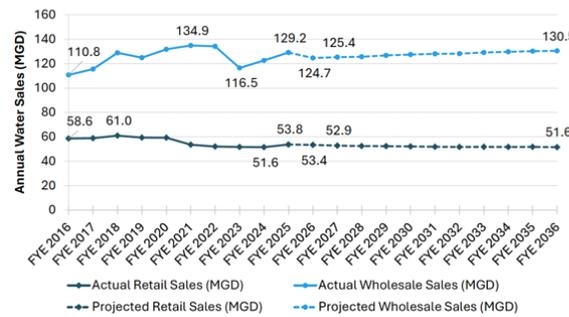
President Josh Arce and Commissioners
San Francisco Public Utilities Commission (SFPUC)
Commission@sfgwater.org

Re: SFPUC 2-Year Budget and 10-Year Capital Plan

Dear President Arce and Commissioners:

I’d like to draw your attention to the following two graphs. The first is from the staff budget presentation on your February 10 agenda. The second is from the Alternative Water Supply (AWS) Plan (February 2024) – figures from the SFPUC’s 2020 Urban Water Management Plan (UWMP).

Water & Wastewater Sales Forecasted Flat



- More conservative forecast this year vs. last year’s plan – especially for wholesale
- Long-term trends from planning documents, with adjustment down
 - Price elasticity
 - Conservation
 - Job & population growth
- Wastewater volumes are based on retail water

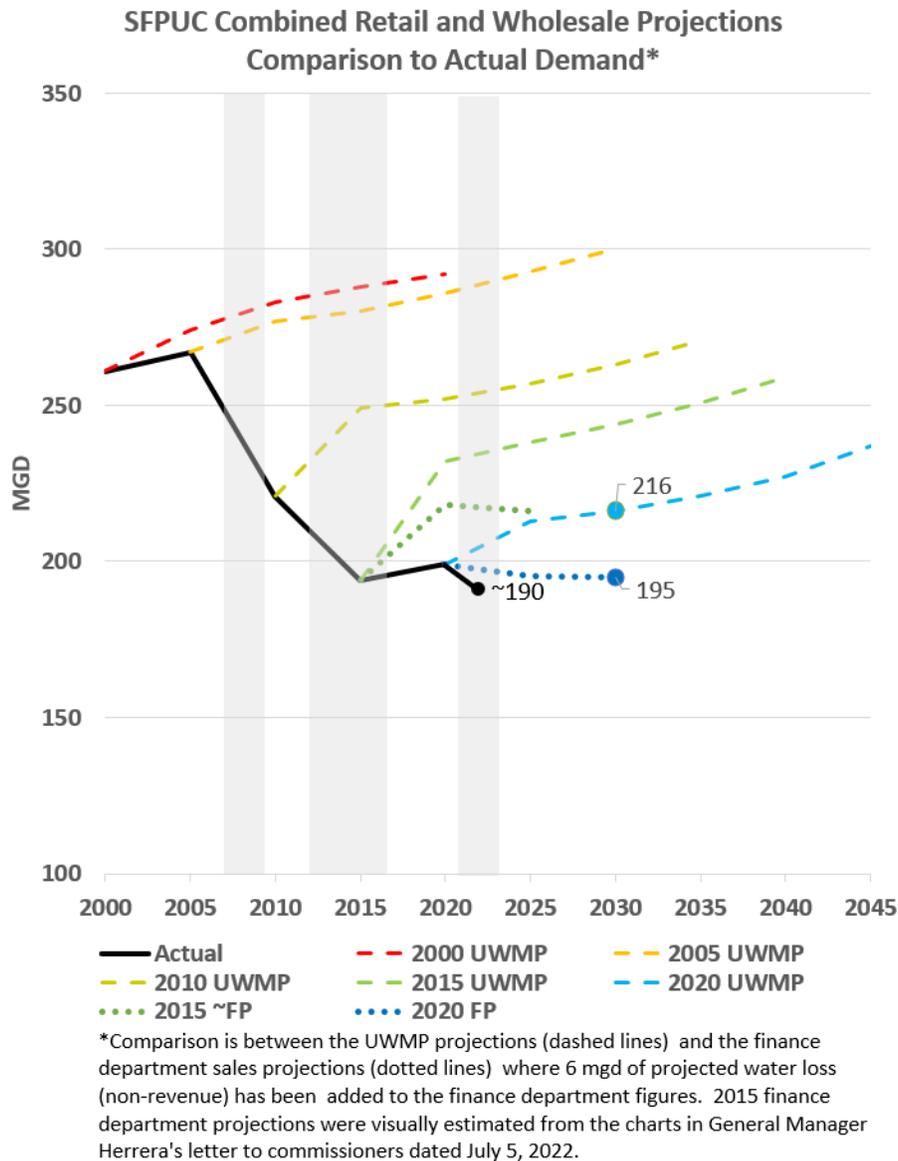
Figure 2-7: Projected Retail and Wholesale Demands on the RWS (2025-2045)



You see that water sales projections for the Regional Water System (produced by the SFPUC Finance Bureau) are 182.1 mgd in 2036. In contrast, RWS demand projections (produced by the SFPUC Water Enterprise) are 229 mgd in 2035. The difference between the two figures is 47 mgd. That’s a huge difference (a quarter of total current demand).

The discrepancy between sales and demand projections was discussed during the 2022 budget hearing, and the Commission directed staff to produce a graph comparing the two sets of historic projections and actual demand. Six months later, staff released a report comparing the projections.¹ I'm attaching the report.

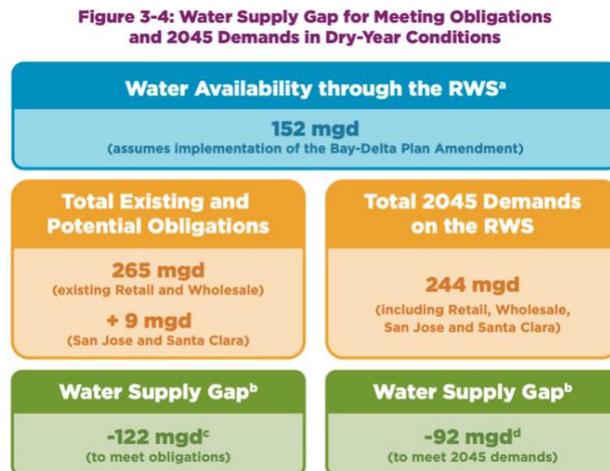
Both the Finance Bureau and Water Enterprise have historically over-projected demand/sales, but the Finance Bureau has been much closer to actuals. The Water Enterprise over-projected demand dramatically. The following graph was produced by Dave Warner using SFPUC data (the graphs in the report break out retail and wholesale demands and are so compressed that it's difficult to register the extent of the differences).



¹ Water Enterprise and Finance Bureau Water Demand Projections, July 5, 2022 – <https://sfpub.sharefile.com/share/view/sa628ebe9c31e4326b84ffa2976f9f9a3>

What should be of great concern to the Commission is that the AWS Plan is based on Water Enterprise demand projections, not Finance Bureau sales projections. The Plan suggests the need to develop 92 mgd of AWS to meet “Demand” (on the low end), and 122 mgd to meet “Obligations” (on the high end). The cost of developing this much AWS would range from \$17 billion to \$25 billion, based on costs assumed in the AWS Plan.

Regarding the source of the numbers used in the AWS Plan (Water Enterprise), the July 5, 2022 demand vs. sales report states:



“Second, the projections represent an outside bound of whatever demand will occur in the next 25 years. The projections are legally required, but they are not expected to be the demands that will actually occur. These demands will likely always be greater than actual demands because not all developments materialize, or they materialize slower than projected.”

In other words, the lowest figure included in the AWS Plan is the “outside envelope” (a descriptor used by Steve Ritchie at the July 16, 2021 SFPUC workshop on water demand and management).²

Recommendations

- 1) Put on hold all funding for AWS planning until it’s determined how much AWS (if any) might realistically be needed.
- 2) Direct staff to include a third scenario in the AWS Plan using Finance Bureau sales projections to represent demand. Given that the Finance Bureau also has a track record of over-projecting water sales, the new scenario should be considered the baseline and not a low demand scenario.
- 3) Follow up on your excellent questions during the October water supply planning discussion by scheduling a workshop to review the Design Drought. Much has changed since the Design Drought was conceived in the early 1990s (the SFPUC’s Water First Policy was implemented, demand has decreased significantly, and much more is known about climate change – Long-Term Vulnerability Assessment.) Yet the Design Drought has **never** been revisited.

Thank you for the opportunity to comment.

Sincerely,

Peter Drekmeier
Policy Director

² SFPUC Water Demand and Management Workshop, July 16, 2021 – https://sanfrancisco.granicus.com/player/clip/38991?view_id=22&redirect=true

cc: BAWSCA Board of Directors
SFPUC Citizens Advisory Committee

July 5, 2022

TO: Commissioner Anson Moran, President
Commissioner Newsha Ajami, Vice President
Commissioner Sophie Maxwell
Commissioner Tim Paulson

THROUGH: Dennis J. Herrera, General Manager



Steven R. Ritchie

FROM: Steven R. Ritchie, Assistant General Manager, Water

RE: Water Enterprise and Finance Bureau Water Demand Projections

This memo provides information regarding the demand projections performed by the Water Enterprise for the Urban Water Management Plan and by the Finance Bureau for rate-setting and financial projection purposes. The memo will describe the different purposes that each of these projections are used for and how by their very nature, they are different. It also includes what these projections have shown over the last several years for both Retail and Wholesale demands compared to actual demands.

For the purpose of long-term water supply planning pursuant to the Urban Water Management Planning Act, every five years we estimate the demand for water that we would experience if our service area was successful in meeting its development goals and mandates. The Act created an obligation for land use planning agencies and water agencies to coordinate to ascertain whether adequate supplies are available to support new development. It was not intended to establish the projected water demands that would be used for all operational and planning purposes. The water agency is not intended to act in a way that would frustrate or negate the objectives of the land use planning agencies or to substitute water agency judgment for that of planning agencies.

The results of the Urban Water Management Plan process are two-fold. First, it provides a set of projections to document how we would expect to fill the demand associated with development goals and mandates. However, they don't account for droughts and changes in economic conditions such as the economic slowdowns in 2000, 2008, and 2020. Second, the projections represent an outside bound of whatever demand will occur in the next 25 years. The projections are legally required, but they are not expected to be the demands that will actually occur. These demands will likely always be greater than actual demands because not all developments materialize, or they materialize slower than projected. This is consistent with the approach we are taking in our Alternative Water Supply process of "planning for obligations but building for demands".

London N. Breed
Mayor

Anson Moran
President

Newsha Ajami
Vice President

Sophie Maxwell
Commissioner

Tim Paulson
Commissioner

Dennis J. Herrera
General Manager

By contrast, for the purpose of financial planning and for short term water system management, we estimate the demand that we are likely to experience. For budgeting and rate setting we use demand projections that are as close to actual as we can make them. These projections tend to be more conservative because if the projections are too high, we will have established rates that are too low and will have a revenue shortfall. Similarly, we use projections that are as close to actual as possible for reservoir operations and drought restrictions and the acquisition of emergency supplies.

The two attached figures demonstrate these differences as well as other differences over time. Figure 1 displays Retail Demand Projections developed for the five Urban Water Management Plans prepared in 2000 through 2020 and the 10-year Financial Plan Retail Sales Projections in 2015 and 2020, both compared to Actual Deliveries. The SFPUC did not publish 10-year Financial Plan Sales Projections before 2015.

The effects of drought and economic conditions can be seen in the demands. Similarly, the effects of changes in planning conditions for Urban Water Management Plans have changed in the most recent plans as the need for additional housing has become prominent, resulting in increasing projections of demand.

Figure 2 displays Wholesale Purchase Projections developed for the Urban Water Management Plans in 2015 and 2020 and the 10-year Financial Plan Wholesale Sales Projections in 2015 and 2020, both compared to Actual Deliveries. Again, the SFPUC did not publish 10-year Financial Plan Sales Projections before 2015.

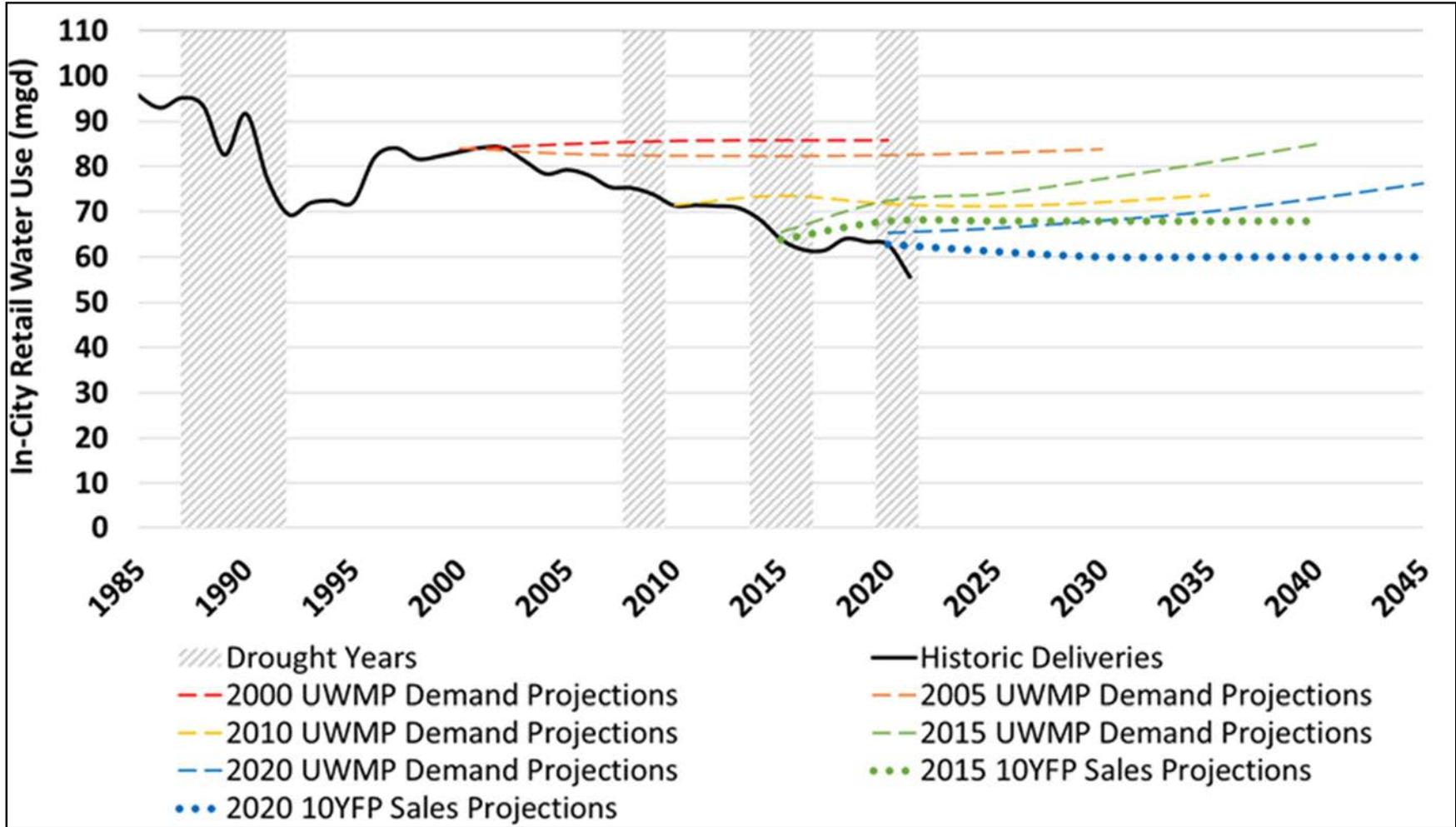
The two figures document that the Urban Water Management Plan projections are consistently greater than the Sales Projections because of the different purposes for which they are created.

Attachments:

FIGURE 1: SFPUC Urban Water Management Plan Retail Demand Projections & 10-Year Financial Plan Retail Sales Projections

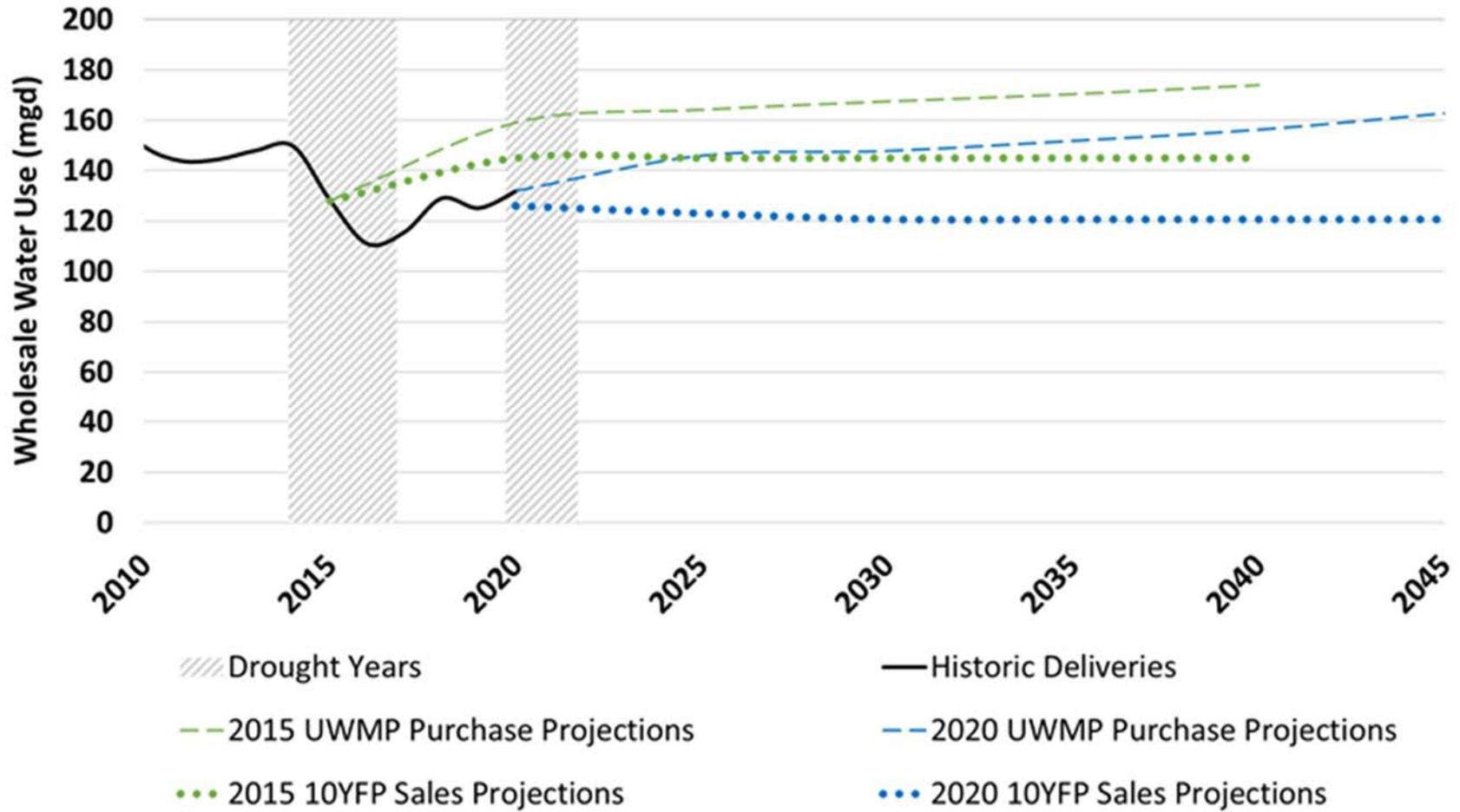
FIGURE 2: SFPUC Urban Water Management Plan Wholesale Purchase Projections & 10-Year Financial Plan Wholesale Sales Projections

FIGURE 1: SFPUC Urban Water Management Plan Retail Demand Projections & 10-Year Financial Plan Retail Sales Projections



Note: 2005 UWMP projections commenced beginning in 2000.

FIGURE 2: SFPUC Urban Water Management Plan Wholesale Purchase Projections & 10-Year Financial Plan Wholesale Sales Projections



February 9, 2026

Re: BAWSCA’s Large Rate Increases Linked to a Trend of Declining Demand Projections

Dear Commissioners,

Thank you for your service!

As you know, the latest financial plans project BAWSCA’s wholesale water rate to increase 7.6% in FY 2027 and 7.2% in FY 2028, up from last year’s projections of 1.0% and 1.2% for FY 2027 and 28 respectively. **The large increase was a surprise. BAWSCA agencies were not prepared for the jump.**

As staff has stated, these large increases are due to lower than forecasted water demand. This is a direct result of over-estimating demand. The surprise could have been avoided either by forecasting lower demand or by providing scenario analyses showing how rates would vary under lower demand conditions.

Wholesale rate underestimates have been linked to declining demand projections. Figure 1 shows how the projected wholesale water rate has increased since 2023.

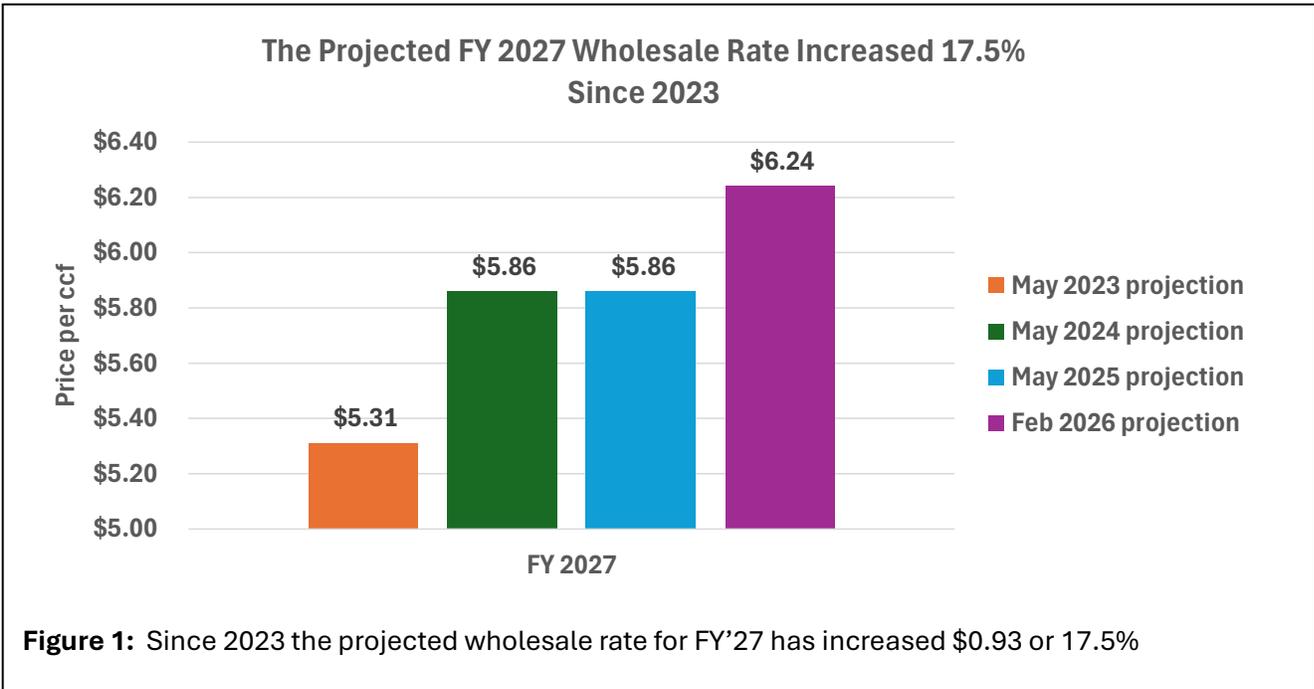
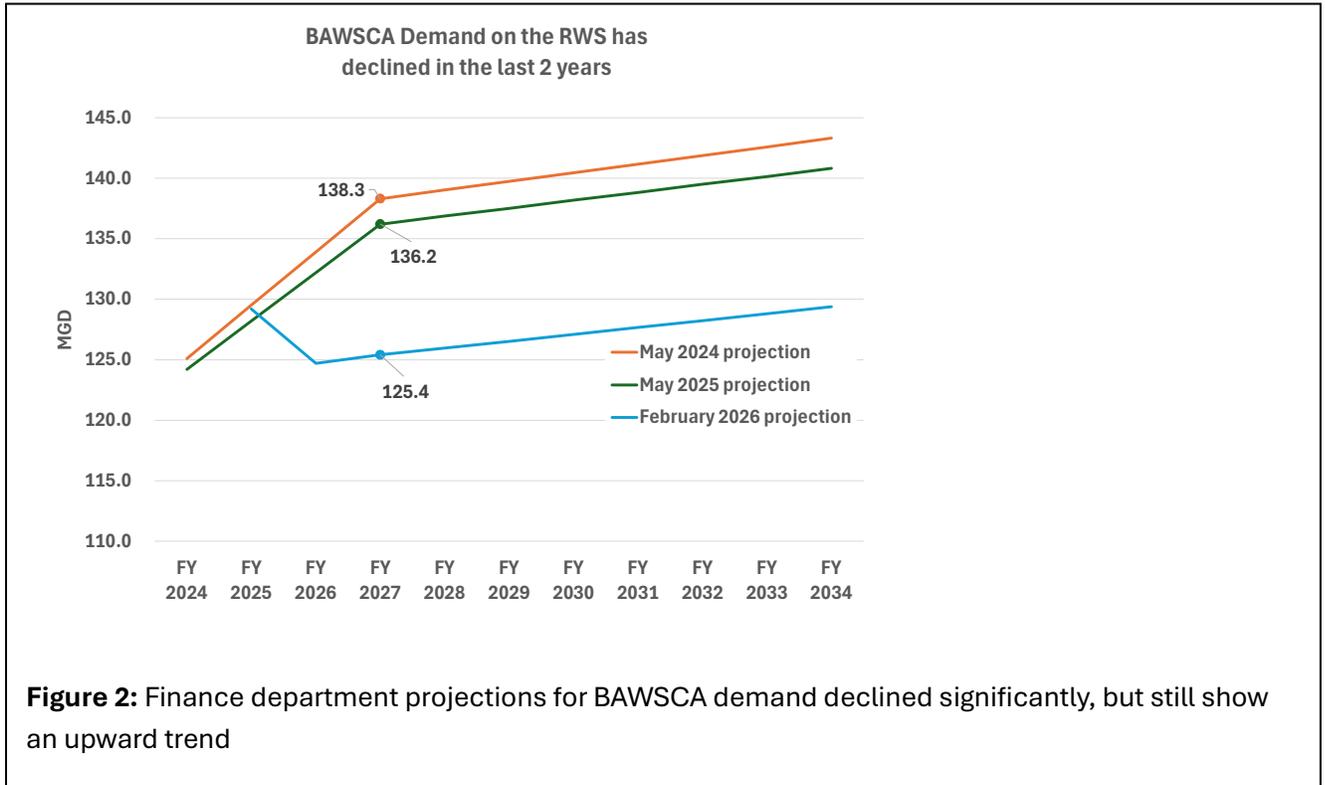


Figure 2 shows how sales projections have declined in the last 2 years. Note how demand is still projected to be on an upward trend.



As noted in my letter dated January 5, 2026, Metropolitan Water District of Southern California (MWD) board members receive information on rate sensitivity to demand (figure 3).

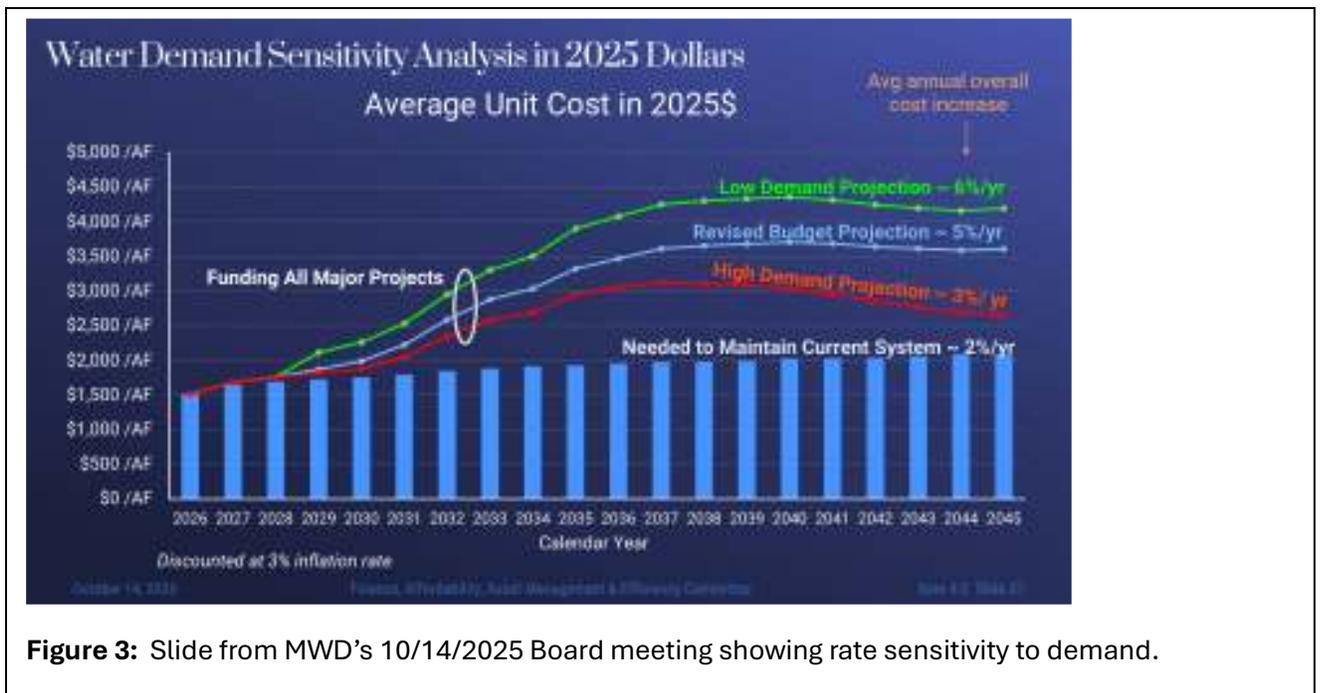


Figure 3: Slide from MWD’s 10/14/2025 Board meeting showing rate sensitivity to demand.

Over forecasting water demand has multiple unfortunate consequences including impacts on rates and affordability. As finance staff has been projecting flat to growing water sales in today's environment of declining demand and negligible population growth, there is a good chance of more rate surprises in the future.

The San Diego County Water Authority (SDCWA) significantly lowered its demand projections after its 2024 financial difficulties¹ that resulted from overestimating demand (figure 4).

Recommendations:

- 1) Please pay close attention to underlying demand projections and how they might impact affordability. Flat demand projections, particularly over the longer term, have a good chance of being too high.
- 2) Please ask finance staff to provide wholesale and retail rate sensitivity analyses against declining demand, as MWD has done. Had such analyses been provided last year, the jump in wholesale rates would not have been as surprising. Actions could have been explored to mitigate the risk of the rate increases.

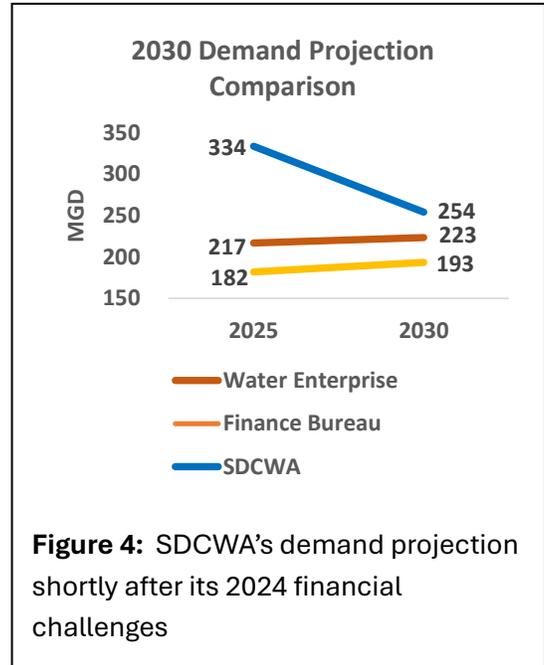


Figure 4: SDCWA's demand projection shortly after its 2024 financial challenges

Kind regards,

Dave Warner

cc: Dennis Herrera, SFPUC General Manager
Steven Ritchie, SFPUC Assistant General Manager, Water Enterprise
Nancy Hom, SFPUC Chief Financial Officer
Laura Busch, SFPUC Deputy Chief Financial Officer
Erin Corvinova, SFPUC Financial Planning Director
SFPUC Citizens' Advisory Committee
BAWSCA Board of Directors

¹ In fiscal 2024 the SDCWA saw its reserves drop as it hoped demand would rebound (which it didn't). In June 2024 the Board tried to raise rates 18% but at the behest of San Diego's mayor the rate increase was reduced to 14% causing a further use of limited reserves.